

## COMPENSATION POLICY

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### **I. COMPENSATION POLICY PURPOSE & PHILOSOPHY**

- (A) The South Carolina Retirement System Investment Commission ("RSIC") recognizes the importance of attracting and retaining a highly qualified professional staff so to achieve its business and investment objectives. To remain competitive in its efforts to attract, hire, retain, and motivate such a staff, a reasonable and competitive compensation plan is critical.
- (B) A reasonable and competitive compensation plan is one that offers a competitive salary and contingent performance increases for all members of RSIC staff and, in so doing, appropriately rewards staff for their contributions in generating significant value to the Plan by (i) assisting the Commission in setting the strategic asset allocation and direction, (ii) implementing the Commission's investment, administrative and operational directives, and (iii) otherwise fulfilling their responsibilities to invest and manage the assets of the South Carolina Retirement System.

### **II. AUTHORITY**

#### **(A) Statutory**

- 1) S.C. Code Ann. §9-16-315(G) provides that the RSIC shall employ a Chief Investment Officer ("CIO"), and may employ other professional, administrative, and clerical personnel. This section further provides that the compensation of Commission employees is not subject to the state compensation plan. Pursuant to this section and within the annual authorized budget, the Commission has the sole authority to determine compensation levels of Commission employees and the means and methods by which compensation levels are determined.
- 2) S.C. Code Ann. §9-16-30(A) provides that the Commission may delegate functions that a prudent person acting in a like capacity would delegate except for the final authority to invest. Pursuant to the authority provided by this section, the Commission delegates certain authority necessary to administer this Compensation Policy (the "Policy") to the Chief Executive Officer ("CEO"), as provided by the Policy. The CEO may delegate certain administrative responsibilities to RSIC staff as s/he deems appropriate, in accordance with the RSIC's Governance Policies.
- 3) Any reference to "performance increase", "performance pay", or other terminology to this effect is not intended to parallel, correspond, or in any way comply with definitions of such terms in South Carolina law regarding classified employees and those subject to the state compensation plan.
- 4) Pursuant to S.C. Code Ann. §9-16-315(G) and any applicable law, the Commission Reserves the right to modify, terminate, and/or rescind any and/or all of the compensation schedules,

provisions, policies, and procedures contained in this and/or any supporting documents at any time. This document sets forth a policy and does not create or provide a contract, guarantee of payment, or guarantee of employment between the RSIC, SCRS, or the State of South Carolina and the employees described in this document.

**(B) Compliance with State and Federal Law**

If the Commission or a court having appropriate jurisdiction determines that any portion of the Compensation Policy violates an applicable state or federal law, that portion will not be in effect at any time. The remaining portions of the Compensation Policy will remain in full force and effect to the maximum extent possible.

### **III. REPORTING**

- (A)** The CEO will annually prepare a report for the Commission detailing the financial impact of all compensation paid each fiscal year to staff. All compensation paid must be within the RSIC's approved annual budget for personal services.
- (B)** The CEO will provide regular updates to the Human Resources and Compensation Committee ("HRC Committee") regarding changes in employee compensation, position, and title, as well as hirings, terminations, or resignations since the previous meeting.

### **IV. SALARY**

**(A) Determining Salary**

- 1) As approved by the Commission, compensation is targeted at the 75<sup>th</sup> percentile of total salary amounts paid by a select group of U.S. public pension funds, endowments, foundations, regional financial services organizations, and State agencies (evaluated as follows: front office = U.S. public pension funds, endowments, foundations, and financial services; middle office = U.S. public pension funds, state agencies, endowments, and foundations; back office = U.S. public pension funds, endowments, foundations, and financial services).
- 2) The Commission will determine the CEO's salary. The CEO will recommend to the Commission for its approval the CIO's salary and subsequent performance increases.
- 3) The CEO will use the Agency Salary Grades established in **Appendix A** to slot all other job roles in the grade for which the midpoint of the grade is closest in amount to the targeted 75th percentile of total salary for the particular role. The CEO will set individual salaries by determining where a person in a particular role falls along the role's grade. In doing so, the CEO will consider a number of factors including, but not limited to, the employee's experience, education, knowledge, skills, overall job performance, position within RSIC and within the RSIC's strategic goals and plans, as applicable.
- 4) The HRC must approve the initial slotting of all existing job roles, the slotting of newly created roles, and the movement of a slotted job role from one grade to another.
- 5) The CEO will make increases to individual salaries pursuant to the guidelines set forth in Section V of this Policy.

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**(B) Legislative Salary Adjustments (Note: A/K/A “Cost of Living Adjustments” or “COLAs”)**

- 1) The South Carolina General Assembly may appropriate or authorize the expenditure of funds for state employee salary increases each fiscal year, which may depend on the employees’ classification status.
- 2) RSIC employees will be granted a legislative increase if the annual Appropriations Act provides for state employees in the unclassified other (non-teachers) classification, consistent with the Department of Administration Executive Budget Office’s allocation of funds.
- 3) Agency salary grades will be calibrated to reflect applicable cost of living adjustments.

**V. GUIDELINES & IMPLEMENTATION FOR EMPLOYEE PERFORMANCE INCREASES**

**(A) Performance Increases:** This component of compensation is contingent on individual performance. Performance increases provide eligible RSIC employees the opportunity to earn a performance increase to his or her salary. The performance increase will be determined by the CEO based upon the results of the Employee Performance Management System (“EPMS”) review, achievement of initiatives and goals related to the strategic plan as applicable, and other contributions not necessarily related to investment performance. All performance increases will be made pursuant to the guidelines set forth in this section.

**(B) Eligibility**

- 1) Generally, all RSIC positions are eligible positions under the Performance Increase Policy except for contract workers and temporary employees.
- 2) All Performance Increases must be allocated within the constraints of the RSIC’s approved annual budget for personal services.

**(C) Mechanics of Performance Increases**

**1) Effective Dates and Performance Period**

- (a) Based on an adequate available budget, performance increases to salary will be effective as soon as practicable following the EPMS review for the preceding year’s Performance Period.
- (b) The Performance Period for Performance Increases will be in accordance with the RSIC *EPMS Policy*.
- (c) The CEO will cause all required documents to be submitted to effect salary increases.

**2) Performance Increases Standards & Measurements**

- (a) Performance Increases to salary are determined using an eligible annual merit budget, salary range data for the assigned job grade, current employee salary within the salary range, and the current performance evaluation rating.
- (b) The annual merit budget for the investment team will be based on the investment performance of the portfolio during the preceding fiscal year. The investment team annual merit budget will be a maximum of six percent of the aggregate amount of the investment team salaries. Two percent will be added to the merit budget for each of the following separate factors:

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- (i) the investment performance of the portfolio exceeds the median rate of return of U.S. public pension funds as reported by Wilshire TUCS, Callan Associates or a similar source of comprehensive U.S. pension fund return data; and/or
- (ii) the investment performance of the portfolio exceeds the assumed rate of return; and/or
- (iii) the actual investment performance of the portfolio exceeds the policy benchmark of the portfolio by more than fifty basis points.
- (c) The annual merit budget for the operations and administration team will be a percentage of the aggregate amount of the operations and administration team salaries which will be determined by the CEO and approved by HRC Committee.
- (d) Individual performance Increases are directly linked to the results of an employee's EPMS review for the preceding year's Performance Period and the employee's place within their assigned job grade's salary range. In determining individual performance increases, the CEO will use the grid method shown by way of example in **Appendix B**.
- (e) In accordance with RSIC's Personnel Policies, all employees will be given an EPMS review, which serves as an annual appraisal of his or her performance.
  - (iv) The EPMS review is a collaborative process between each employee and his or her supervisor and includes job duties, objectives, desired performance characteristics, and comments or feedback.
  - (v) Cooperation and participation toward fulfilling RSIC's strategic goals are evaluated in each RSIC employee's EPMS review along with other factors and criteria.
  - (vi) Employees should be evaluated annually.
- (d) Performance increases for employees must be calibrated in a manner that progresses an employee along the salary grade for the employee's position consistent with the knowledge, experience, and performance level expected for each tri-tile and the relative point within each tri-tile. The CEO must seek the approval of HRC Committee prior to increasing an employee's salary above the maximum amount of the salary grade for the employee's position.

**(D) Plan Modification, Suspension and Termination**

- 1) There is no vested right to any benefits under the Performance Increase provisions of the Compensation Policy nor is there any guarantee to the continuing existence of Performance Increases under this Policy.
- 2) The Commission will have the right to modify the Performance Increase provisions of the Compensation Policy or any portion thereof at any time.

**(E) Other Salary Adjustments:** Nothing in this Policy prohibits the CEO from making other adjustments to salaries of RSIC employees. Salary adjustments may be made based on an employee gaining additional skills or knowledge directly related to his or her job, an employee being assigned additional job duties or broader responsibilities, or a promotion or reassignment of an employee to another position. Salary adjustments made pursuant to this item must be calibrated in a manner that takes into consideration the effect that the increase will have on the relative position of the employee's salary along the applicable salary grade.

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## VI. OTHER PLAN PROVISIONS

### (A) At-will Employment

- 1) Nothing in this Policy alters the at-will nature of employment between the RSIC and its employees.
- 2) Nothing in the adoption of this Policy creates a contract between the RSIC, Retirement System, the State of South Carolina, and any RSIC employee or confers on any RSIC employee the right to continued employment with RSIC.
- 3) Nothing in the adoption of this Policy affects the right of the RSIC to terminate the employment of any of its employees at any time.

### (B) Plan Does Not Create a Trust or Entitlement

- 1) The adoption of this Policy will not be deemed to create a trust or entitlement of any kind.
- 2) No employee will have any security or other interest in any asset of the Retirement System by reason of this Policy or approved annual personal services budget.

### (D) Taxes & Other Deductions

- 1) All COLAs and/or Performance Increases paid under this Policy will be subject to any deductions for tax and withholding required by the federal, state, or local law in effect at the time of payment and for any and all amounts that may be owed by the employee to the RSIC at the time of payment.
- 2) RSIC is not obligated to advise an employee of the existence of any tax or amount that RSIC will be required to withhold.

(E) **Eligibility for Retirement Purposes:** Performance Increases are eligible for pension plan purposes.

(F) **Grievances:** The Commission, in consultation with the CEO, will resolve and has final authority to resolve an RSIC employee's grievance or dispute arising from this Policy.

## VII. POLICY REVIEW & HISTORY

(A) The Commission will review this Policy at least every three years to ensure that it remains relevant and appropriate, or when there is an amendment to state law relevant to any section of this Policy, or when there is a Commission approved change in the responsibilities, duties, or operations of the Commission generally.

(B) Policy Adopted: January 26, 2010.

(C) Policy Amended: April 21, 2011; July 21, 2011; May 17, 2012; May 23, 2013; March 13, 2014; June 3, 2014; October 2, 2014, and November 19, 2015.

## VIII. APPENDICES

### APPENDIX A

	1 <sup>st</sup> Tri-tile		2 <sup>nd</sup> Tri-tile		3 <sup>rd</sup> Tri-tile	
Grade	1 <sup>st</sup> Tri-tile		2 <sup>nd</sup> Tri-tile		3 <sup>rd</sup> Tri-tile	
12	\$253,600	\$355,032	\$355,033	\$456,466	\$456,467	\$557,900
11	\$187,800	\$262,932	\$262,933	\$338,066	\$338,067	\$413,200
10	\$148,400	\$197,866	\$197,867	\$247,332	\$247,333	\$296,800
9	\$114,100	\$152,132	\$152,133	\$190,166	\$190,167	\$228,200
8	\$87,800	\$117,066	\$117,067	\$146,332	\$146,333	\$175,600
7	\$75,000	\$92,499	\$92,500	\$109,999	\$110,000	\$127,500
6	\$60,000	\$73,999	\$74,000	\$87,999	\$88,000	\$102,000
5	\$48,000	\$59,199	\$59,200	\$70,399	\$70,400	\$81,600
4	\$41,400	\$48,299	\$48,300	\$55,199	\$55,200	\$62,100
3	\$34,600	\$40,366	\$40,367	\$46,132	\$46,133	\$51,900
2	\$28,800	\$33,599	\$33,600	\$38,399	\$38,400	\$43,200
1	\$24,000	\$27,999	\$28,000	\$31,999	\$32,000	\$36,000

### APPENDIX B

#### Sample Performance Increase Grid Assuming a 4% Merit Budget

		Percent Increase				
Performance Rating	Substantially Exceeds	8.5%	6.5%	5.0%	3.0%	0.0%
	Exceeds	5.5%	4.5%	4.0%	2.0%	0.0%
	Meets	4.0%	3.5%	2.5%	1.0%	0.0%
	Below	0.0%	0.0%	0.0%	0.0%	0.0%
	Does Not Meet	0.0%	0.0%	0.0%	0.0%	0.0%
		Below Minimum	1 <sup>st</sup> Tri-tile	2 <sup>nd</sup> Tri-tile	3 <sup>rd</sup> Tri-tile	Above Maximum
Position-in-Range						

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